MICROSOFT CORPORATION

v.

PC HOUSE (IMBI) SDN BHD

HIGH COURT MALAYA, KUALA LUMPUR
STEVE SHIM J
[CIVIL SUIT NO: D5-22-626-1997]
1 APRIL 1998

COPYRIGHT: *Literary works - Computer software - Infringement of copyright - Distribution of software by way of sale without licence - Whether Copyright Act 1987, ss. 13(1)(a), (c) & 36(1) infringed - Whether there was merit in defendant's opposition to plaintiff's application for judgment in default of defence*

CIVIL PROCEDURE: *Judgment - Default of defence - Application for - Rules of the High Court 1980, O. 19 r. 7 - Whether court has discretion to extend time for filing and service of defence - Exercise of judge's discretion in granting judgment in default of defence - Principles applicable*

This was an application by the plaintiff for judgment in default of defence to be entered against the defendant. In its statement of claim, the plaintiff, the copyright owner of certain computer software products ('the software'), alleged that the defendant had infringed its copyright in breach of s. 36(1) of the Copyright Act 1987 ('the Act') read with s. 13(1)(a) & (c) thereof. The plaintiff alleged that the defendant had reproduced and distributed or caused others to reproduce and distribute copies of the software without its licence.

Held

[1] Although O. 19 r. 7 of the Rules of the High Court 1980 ('the RHC') uses the word "shall", yet the court may in its discretion extend the time within which a defence may be filed and served provided no injustice is caused. The court will not enter a judgment in default of defence which it will afterwards set aside on proper grounds being shown. The judge will exercise his discretion on the same lines as he will in setting aside a judgement in default. When obtaining a judgment in default under O. 19 r. 7 of the RHC, the facts stated in the statement of claim are to be taken as admitted and no evidence or affidavit in support thereof will be required.

[2] There was distribution of the software by way of sale without the licence of the plaintiff. Therefore, the defendant had clearly infringed s. 36(1) of the Act read with s. 13(1)(c) thereof. There was no merit in the defendant's opposition to the instant application.

[Application allowed.]

Case(s) referred to:
Creative Purpose Sdn Bhd & Anor v. Intergrated Trans Corp Sdn Bhd & Ors [1997] 2 CLJ Supp 107 ***(cit)***
Wallersteiner v. Moir [1974] 3 All ER 217 CA ***(foll)***
Young v. Thomas [1892] 2 Ch 135 ***(cit)***

Legislation referred to:
Copyright Act 1987, ss. 13(1)(a), (c), 36(1)
Rules of the High Court 1980, O. 19 r. 7

Other source(s) referred to:
Berne Convention for the Protection of Literary and Artistic Works, 1986
Malaysian Court Practice High Court, vol I, p 537
Protection of Literary and Artistic Works, 1886

For the plaintiff - BK Teo; M/s Raja, Darryl & Loh
For the defendant - Pertaf Singh; M/s Pertaf & Assoc

Reported by Alex KC Lee & S Dharmendran

JUDGMENT

Steve Shim J:

By a summons-in-chambers dated 14 January 1998, the plaintiff has applied for judgment in default of defence to be entered against the defendant pursuant to O. 19 r. 7 Rules of the High Court 1980. It is supported by the affidavit of Tan Huey Sze, the corporate attorney of the plaintiff affirmed on 13 January 1998. The application is resisted by the defendant who files an affidavit affirmed by its counsel Mr. Pertaf Singh on 21 January 1998. Order 19 r. 7 RHC stipulates:

> Where the plaintiff makes against a defendant or defendants a claim of a description not mentioned in rules 2 to 5, then, if the defendant or all the defendants (where there is more than one) fails or fail to serve a defence on the plaintiff, the plaintiff may, after the expiration of the period fixed by or under these rules for service of the defence, apply to the court for judgement and on hearing the application the court shall give such judgement as the plaintiff appears entitled to on his statement of claim.

Although it has been held that the use of the pre-emptory word "shall" in the above rule indicates that the court is bound to give judgment on an application under this rule, the court may in its discretion extend the time within which a defence may be filed and served provided no injustice is caused by so doing. The court will not enter a judgment which it would afterwards set aside on proper grounds being shown. A judge will exercise his discretion on the same lines as he will in setting aside a judgment in default: see *Malaysian Court Practice High Court (Vol. I)* at p. 537; *Wallersteiner v. Moir* [1974] 3 All

ER 217 CA at p. 232. Furthermore, a court will not grant judgment under this rule except where a statement of claim has been served before hand. When obtaining judgment in default under this rule, the facts stated in the statement of claim are to be taken as admitted and no evidence or affidavit in support thereof will be required: see *Malaysian Court Practice High Court (Vol. I)* at p 537; *Young v. Thomas* [1892] 2 Ch 135 at pp. 135 & 136.

Clearly the principles upon which a court need to apply in an application for judgment in default of defence are much the same as those relating to the setting aside of a default judgement. This was what Lord Denning MR said in *Wallersteiner:*

> ... A judge in chambers has a discretion which he will exercise on the same lines as he will set aside a judgement in default. He will require the party to show that he has a good defence on the merits. This is a time-hallowed phrase going back for a hundred years: see *Watt v. Barnett; Farden v. Richter*. It has been explained by Lord Atkin as meaning that the applicant would produce to the court evidence that he has a *prima facie* case. The applicant must produce evidence by affidavit showing he has such a defence.

Bearing those principles in mind, what then is the position in the instant case? At the outset, it is, I think, appropriate for the purposes of this application, to state briefly the undisputed facts. The plaintiff is a company incorporated in the USA and that it has ownership of the copyright subsisting in, *inter alia*, the following computer programmes:

Microsoft Windows, Microsoft Office 97, Microsoft Publisher 97 and Microsoft Word. It has ownership of the copyright of the said computer programmes in Malaysia by virtue of the provisions of the Berne Convention for the *Protection of Literary and Artistic Works, 1986*, which is given effect in *Malaysia through the Copyright (Application to Other Countries) Regulations, 1990*. And by virtue of the said Copyright (AOC) Regulations, the Copyright Act, 1987, is made applicable to the plaintiff's computer programmes. The said computer programmes are works eligible to copyright protection as "*literary works*" within the provisions of s. 3 of the Copyright Act: see *Creative Purpose Sdn Bhd & Anor v. Integrated Trans Corn Sdn Bhd & Ors* [1997] 2 MLJ 429 at p. 430.

The crux of the plaintiff's case is crystallised in the writ and the statement of claim, namely, that the defendant has infringed its copyright in the computer programmes by (a) reproducing or causing others to reproduce copies of the said computer programmes without any lawful authority and (b) distributing or causing others to distribute copies of the same without lawful authority. These reproduction rights and distribution rights fall within the ambit of s. 13(1)(a) & (c) read with s. 36(1) of the Copyright Act 1987. It is alleged

that the defendant had in fact and in law breached s. 36(1) by wrongfully distributing copies of the plaintiff's computer programmes to the public by way of sale without licence of the plaintiff.

In his oral submission opposing the application, Mr. Pertaf Singh has contended, in effect, that the plaintiff has failed to adduce sufficient evidence to sustain its allegations of downloading and infringement, etc, and has therefore not discharged the relevant burden of proof. According to him, the defendant has taken the position that there had been no downloading, distribution or sale of the plaintiff's software programmes as contained in the defendant's proposed statement of defence and as such, there are serious issues to be tried.

In the light of the principles stated earlier, I think it fair that I should consider the merits of the proposed defence annexed to the affidavit of Pertaf Singh. In my view, the essential nub of the defence is contained in para. 6 which states:

> Defendan mengakui Perenggan 7 Penyataan Tuntutan dan menyatakan bahawa perniagaan utama defendan ialah menjual 'hardware' PC kepada pelanggannya dan hanya atas permintaan pelanggan-pelanggannya sahaja defendan membeli karya-karya Microsoft dan pengedar-pengedar software Microsoft yang sah dan memasuk karya-karya Plaintif kepada disk keras (hardware) dalam suatu komputer sahaja. Defendan akan memberi bukti-bukti pembelian karya-karya asal (original programmes) dalam suatu komputer sahaja dan juga defendan akan memberi bukti-bukti pembelian karya-karya asal (original programmes) inbois-inbois dan resit-resit pembelian dan/atau penjualan pada tarikh bicara.

It seems clear from the paragraph above that the defendant admits that its main business is selling PC hardware to customers and that it is only at the request of its customers that the defendant buys the Microsoft works from legitimate Microsoft software distributors and puts these works into the hard disk of the computers. In short, this is a situation where the defendant buys the plaintiff's works legitimately and then downloads them into the computer disks sold to its customers. The defendant seems to contend that its actions are perfectly in order. Whether this is because the defendant has not made any charge in downloading the said works is unclear, but given the obvious commercial nature of such a transaction, it is reasonable to assume that it could not be entirely free. Since there is distribution by way of sale without any licence from the plaintiff, there would have been clear infringement under s. 36(l) read with s. 13(1)(c) of the Copyright Act 1987. In the circumstances, on the basis of the proposed statement of defence, there can be no merit in the defendant's opposition. On that score alone, I find it sufficient to allow the application and order in terms thereof.